

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2007 - 003

Amendment No.

Proposed Rule Change by National Association of Securities Dealers

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial ☒	Amendment ☐	Withdrawal ☐	Section 19(b)(2) ☐	Section 19(b)(3)(A) ☒	Section 19(b)(3)(B) ☐
Pilot ☐			Rule		
Extension of Time Period for Commission Action ☐			☐ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☒ 19b-4(f)(6)		
Date Expires 					

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

Proposed rule change to adopt new NASD Rule 7000D Series relating to fees and credits for the NASD/BSE Trade Reporting Facility

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date By
(Name)

(Title)

NOTE: Clicking the button at right will digitally sign and lock
this form. A digital signature is as legally binding as a physical
signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ the National Association of Securities Dealers, Inc. (“NASD”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) this proposed rule change to adopt a new NASD Rule 7000D Series relating to fees and credits for the Trade Reporting Facility (the “NASD/BSE TRF”) established by NASD and the Boston Stock Exchange (“BSE”). Below is the text of the proposed rule change. Proposed new language is underlined.

* * * * *

7000D. CHARGES FOR NASD/BSE TRADE REPORTING FACILITY

SERVICES

7001D. Securities Transaction Credit

NASD members that trade securities listed on the NYSE (“Tape A”), Amex (“Tape B”), or Nasdaq (“Tape C”) in over-the-counter transactions reported to the NASD/BSE Trade Reporting Facility may receive from the NASD/BSE Trade Reporting Facility transaction credits based on the transactions attributed to them. A transaction is attributed to a member if the member is identified as the executing party in a trade report submitted to the NASD/BSE Trade Reporting Facility that the NASD/BSE Trade Reporting Facility submits to the Consolidated Tape Association or the Nasdaq Securities Information Processor. An NASD member may earn credits from any of three pools maintained by the NASD/BSE Trade Reporting Facility. The Tape A, Tape B, and Tape

¹ 15 U.S.C. 78s(b)(1).

C pools represent 50% of the revenue paid by the Consolidated Tape Association or the Nasdaq Securities Information Processor with respect to the NASD/BSE Trade Reporting Facility for Tape A, Tape B, and Tape C transactions after deducting the amount, if any, that the Trade Reporting Facility pays to the Consolidated Tape Association or the Nasdaq Securities Information Processor for capacity usage. An NASD member may earn credits from the pools according to the pro rata share of revenue attributable to over-the-counter transactions reported to the NASD/BSE Trade Reporting Facility by the member in Tape A, Tape B, and Tape C for each calendar quarter. To the extent that Tape A, Tape B or Tape C revenue is subject to any adjustment, credits provided may be adjusted accordingly.

7002D. NASD/BSE Trade Reporting Facility Reporting Fees

There will be no charge for use of the NASD/BSE Trade Reporting Facility to report locked-in transactions in exchange-listed securities effected otherwise than on an exchange.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Executive Committee of the Board of Governors of NASD approved and authorized for filing with the Commission the proposed rule change via Unanimous Written Consent on November 15, 2006. No other action by NASD is necessary for the filing of the proposed rule change. Section 1(a)(ii) of Article VII of the NASD By-Laws permits the Board of Governors of NASD to adopt NASD Rules without recourse to the

membership for approval.

NASD is filing the proposed rule change for immediate effectiveness. NASD proposes to implement the proposed rule change on the first day of operation of the NASD/BSE TRF, which is currently anticipated to be in February 2007.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

On December 13, 2006, the Commission approved SR-NASD-2006-115,² which proposed rules relating to the new NASD/BSE TRF. The NASD/BSE TRF will provide NASD members another mechanism for reporting to NASD locked-in transactions in exchange-listed securities effected otherwise than on an exchange. It is anticipated that the NASD/BSE TRF will commence operation in February 2007 upon successful completion of system testing and certification. The proposed rule change would adopt a new NASD Rule 7000D Series relating to fees and credits applicable to the NASD/BSE TRF.

NASD is proposing that under new Rule 7002D, there will be no transaction fee for reporting locked-in trades to the NASD/BSE TRF in securities listed on the New York Stock Exchange ("Tape A"), the American Stock Exchange ("Tape B") and the Nasdaq Exchange ("Tape C"). Although NASD is not required to propose a rule change where no fees are to be assessed, for members' convenience and to avoid potential confusion with the fee structures of other NASD facilities, NASD is proposing Rule 7002D to clarify that there will be no charge for use of the NASD/BSE TRF to report

² See Securities Exchange Act Release No. 54931 (December 13, 2006), 71 FR 76409 (December 20, 2006) (order approving SR-NASD-2006-115).

locked-in transactions in exchange-listed securities effected otherwise than on an exchange. The text of proposed Rule 7002D is identical to the text of current Rule 7002C relating to the NASD/NSX TRF.

In addition, NASD is proposing a transaction credit program under new Rule 7001D, which is identical to the existing transaction credit program for the NASD/Nasdaq TRF under Rule 7001B.³ NASD members reporting trades in Tape A, Tape B and Tape C stocks to the NASD/BSE TRF will receive a 50% pro rata credit on market data revenue earned by the NASD/BSE TRF with respect to those trade reports after deducting the amount, if any, that the Trade Reporting Facility pays to the Consolidated Tape Association or the Nasdaq Securities Information Processor for capacity usage. Credits will be paid on a quarterly basis. To the extent that market data revenue is subject to any adjustment, credits may be adjusted accordingly.

Tape A and Tape B revenue is currently distributed to NASD and the exchanges based on number of trades reported, while Tape C revenue is distributed based on an average of number of trades and number of shares reported. Thus, under the proposed program, the Tape A and Tape B revenue attributable to a member will be based on number of trades reported, while the Tape C revenue attributable to a member would be based on number of trades and number of shares reported. A member will receive 50%

³ See Securities Exchange Act Release No. 54353 (August 23, 2006), 71 FR 51255 (August 29, 2006) (notice of filing and immediate effectiveness of SR-NASD-2006-090).

NASD also notes that the proposed transaction credit program is substantially equivalent to the existing transaction credit program for the NASD/NSX TRF under NASD Rule 7001C. The only difference between the two programs is that under the NASD/NSX TRF transaction credit program, members receive 50% of gross revenue.

of the revenue attributable to it in each of the three tapes.

As noted in Item 2 of this filing, NASD is filing the proposed rule change for immediate effectiveness. NASD proposes to implement the proposed rule change on the first day of operation of the NASD/BSE TRF, which is currently anticipated to be in February 2007.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,⁴ in general, and with Section 15A(b)(5) of the Act,⁵ in particular, which requires, among other things, that NASD rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that NASD operates or controls. NASD believes that the proposed rule change is a reasonable and equitable fee and credit structure in that there will be no fees charged for trade reporting to the NASD/BSE TRF and the proposed transaction credit program is identical to existing credits for the NASD/Nasdaq TRF.

4. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

⁴ 15 U.S.C. 78o-3.

⁵ 15 U.S.C. 78o-3(b)(5).

6. **Extension of Time Period for Commission Action**

Not applicable.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder,⁶ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing. NASD believes that the filing is appropriately designated as “non-controversial” because NASD is proposing to assess no fees for reporting transactions to the NASD/BSE TRF and the proposed transaction credit program is identical to the existing transaction credit program for the NASD/Nasdaq TRF under NASD Rule 7001B.⁷

In accordance with Rule 19b-4,⁸ NASD submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing. NASD requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii).⁹ Waiver of the 30-day waiting period may be necessary to allow the proposed rule change

⁶ 17 CFR 240.19b-4.

⁷ NASD also notes that the proposed transaction program is substantially equivalent to the existing credits for the NASD/NSX TRF under NASD Rule 7001C.

⁸ 17 CFR 240.19b-4.

⁹ 17 CFR 240.19b-4(f)(6)(iii).

to be implemented on the first day of operation of the NASD/BSE TRF, which is currently anticipated to be in February 2007.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2007-003)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Fees and Credits for the NASD/BSE Trade Reporting Facility

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. NASD has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASD is proposing to adopt a new NASD Rule 7000D Series relating to fees and credits for the Trade Reporting Facility (the “NASD/BSE TRF”) established by NASD and the Boston Stock Exchange (“BSE”). Below is the text of the proposed rule change. Proposed new language is in italics.

* * * * *

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4.

7000D. CHARGES FOR NASD/BSE TRADE REPORTING FACILITY

SERVICES

7001D. Securities Transaction Credit

NASD members that trade securities listed on the NYSE ("Tape A"), Amex ("Tape B"), or Nasdaq ("Tape C") in over-the-counter transactions reported to the NASD/BSE Trade Reporting Facility may receive from the NASD/BSE Trade Reporting Facility transaction credits based on the transactions attributed to them. A transaction is attributed to a member if the member is identified as the executing party in a trade report submitted to the NASD/BSE Trade Reporting Facility that the NASD/BSE Trade Reporting Facility submits to the Consolidated Tape Association or the Nasdaq Securities Information Processor. An NASD member may earn credits from any of three pools maintained by the NASD/BSE Trade Reporting Facility. The Tape A, Tape B, and Tape C pools represent 50% of the revenue paid by the Consolidated Tape Association or the Nasdaq Securities Information Processor with respect to the NASD/BSE Trade Reporting Facility for Tape A, Tape B, and Tape C transactions after deducting the amount, if any, that the Trade Reporting Facility pays to the Consolidated Tape Association or the Nasdaq Securities Information Processor for capacity usage. An NASD member may earn credits from the pools according to the pro rata share of revenue attributable to over-the-counter transactions reported to the NASD/BSE Trade Reporting Facility by the member in Tape A, Tape B, and Tape C for each calendar quarter. To the extent that Tape A, Tape B or Tape C revenue is subject to any adjustment, credits provided may be adjusted accordingly.

7002D. NASD/BSE Trade Reporting Facility Reporting Fees

There will be no charge for use of the NASD/BSE Trade Reporting Facility to report locked-in transactions in exchange-listed securities effected otherwise than on an exchange.

* * * * *

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On December 13, 2006, the Commission approved SR-NASD-2006-115,⁴ which proposed rules relating to the new NASD/BSE TRF. The NASD/BSE TRF will provide NASD members another mechanism for reporting to NASD locked-in transactions in exchange-listed securities effected otherwise than on an exchange. It is anticipated that the NASD/BSE TRF will commence operation in February 2007 upon successful completion of system testing and certification. The proposed rule change would adopt a new NASD Rule 7000D Series relating to fees and credits applicable to the NASD/BSE TRF.

NASD is proposing that under new Rule 7002D, there will be no transaction fee

⁴ See Securities Exchange Act Release No. 54931 (December 13, 2006), 71 FR 76409 (December 20, 2006) (order approving SR-NASD-2006-115).

for reporting locked-in trades to the NASD/BSE TRF in securities listed on the New York Stock Exchange (“Tape A”), the American Stock Exchange (“Tape B”) and the Nasdaq Exchange (“Tape C”). Although NASD is not required to propose a rule change where no fees are to be assessed, for members’ convenience and to avoid potential confusion with the fee structures of other NASD facilities, NASD is proposing Rule 7002D to clarify that there will be no charge for use of the NASD/BSE TRF to report locked-in transactions in exchange-listed securities effected otherwise than on an exchange. The text of proposed Rule 7002D is identical to the text of current Rule 7002C relating to the NASD/NSX TRF.

In addition, NASD is proposing a transaction credit program under new Rule 7001D, which is identical to the existing transaction credit program for the NASD/Nasdaq TRF under Rule 7001B.⁵ NASD members reporting trades in Tape A, Tape B and Tape C stocks to the NASD/BSE TRF will receive a 50% pro rata credit on market data revenue earned by the NASD/BSE TRF with respect to those trade reports after deducting the amount, if any, that the Trade Reporting Facility pays to the Consolidated Tape Association or the Nasdaq Securities Information Processor for capacity usage. Credits will be paid on a quarterly basis. To the extent that market data revenue is subject to any adjustment, credits may be adjusted accordingly.

⁵ See Securities Exchange Act Release No. 54353 (August 23, 2006), 71 FR 51255 (August 29, 2006) (notice of filing and immediate effectiveness of SR-NASD-2006-090).

NASD also notes that the proposed transaction credit program is substantially equivalent to the existing transaction credit program for the NASD/NSX TRF under NASD Rule 7001C. The only difference between the two programs is that under the NASD/NSX TRF transaction credit program, members receive 50% of gross revenue.

Tape A and Tape B revenue is currently distributed to NASD and the exchanges based on number of trades reported, while Tape C revenue is distributed based on an average of number of trades and number of shares reported. Thus, under the proposed program, the Tape A and Tape B revenue attributable to a member will be based on number of trades reported, while the Tape C revenue attributable to a member would be based on number of trades and number of shares reported. A member will receive 50% of the revenue attributable to it in each of the three tapes.

NASD is filing the proposed rule change for immediate effectiveness. NASD proposes to implement the proposed rule change on the first day of operation of the NASD/BSE TRF, which is currently anticipated to be in February 2007.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,⁶ in general, and with Section 15A(b)(5) of the Act,⁷ in particular, which requires, among other things, that NASD rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that NASD operates or controls. NASD believes that the proposed rule change is a reasonable and equitable fee and credit structure in that there will be no fees charged for trade reporting to the NASD/BSE TRF and the proposed transaction credit program is identical to existing credits for the NASD/Nasdaq TRF.

B. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on

⁶ 15 U.S.C. 78o-3.

⁷ 15 U.S.C. 78o-3(b)(5).

competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received.

III. **Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.⁸ NASD believes that the filing is appropriately designated as “non-controversial” because NASD is proposing to assess no fees for reporting transactions to the NASD/BSE TRF and the proposed transaction credit program is identical to the existing transaction credit program for the NASD/Nasdaq TRF under NASD Rule 7001B.⁹

In accordance with Rule 19b-4,¹⁰ NASD submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing. NASD has requested that the Commission waive the requirement that the rule change, by its terms, not become

⁸ 17 CFR 240.19b-4(f)(6).

⁹ NASD also notes that the proposed transaction program is substantially equivalent to the existing credits for the NASD/NSX TRF under NASD Rule 7001C.

¹⁰ 17 CFR 240.19b-4.

operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii).¹¹

Waiver of the 30-day waiting period may be necessary to allow the proposed rule change to be implemented on the first day of operation of the NASD/BSE TRF, which is currently anticipated to be in February 2007.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2007-003 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2007-003. This file

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of NASD.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASD-2007-003 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Nancy M. Morris
Secretary

¹² 17 CFR 200.30-3(a)(12).